



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number: S. 1228
Author: Leatherman
Subject: Revenue used for highway construction and maintenance
Requestor: Senate Finance
RFA Analyst(s): Dunbar and Martin
Impact Date: April 18, 2016

Estimate of Fiscal Impact

| | FY 2016-17 | FY 2017-18 |
|----------------------------------|-------------------|-------------------|
| State Expenditure | | |
| General Fund | \$0 | \$0 |
| Other and Federal | \$0 | \$0 |
| Full-Time Equivalent Position(s) | 0.00 | 0.00 |
| State Revenue | | |
| General Fund | (\$65,680,000) | \$0 |
| Other and Federal | \$65,680,000 | \$0 |
| Local Expenditure | \$0 | \$0 |
| Local Revenue | \$0 | \$0 |

Fiscal Impact Summary

This bill is expected to reduce General Fund sales and use tax revenue by \$65,680,000 and increase Other Funds of the Department of Transportation by \$65,680,000 in FY 2016-17. This bill also reallocates approximately \$65,680,000 from the State Non-Federal Aid Highway Fund to the State Highway Fund. In total, this bill credits \$131,360,000 to the State Highway Fund in FY 2016-17, which is then transferred to the South Carolina Transportation Infrastructure Bank. This bill would not affect Federal Funds in FY 2016-17.

Explanation of Fiscal Impact

State Expenditure

This bill will have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

State Revenue

Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the General Fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$60,947,394 and a concomitant increase in State Highway Fund revenue in FY 2014-15.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-

2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated \$164,200,000 in FY 2016-17.

Under current law, \$65,680,000 is expected to be transferred to the Department of Transportation for the State Non-Federal Aid Highway Fund, \$65,680,000 is expected for deposit to the General Fund, and \$32,840,000 is to be credited to the Education Improvement Act Fund.

Pursuant to this bill, the General Fund allocation of \$65,680,000 would be transferred to the State Highway Fund in addition to the current allocation of \$65,680,000 for a total of \$131,360,000. The Department of Transportation shall transfer an amount equal to the revenue credited to the State Highway Fund pursuant to 12-36-2647(A), or \$131,360,000, to the South Carolina Transportation Infrastructure Bank. The first \$50,000,000 transferred to the bank shall be used to finance bridge replacement, rehabilitation projects, and expansion and improvements on existing roads in the State Highway System. Any funds in excess of \$50,000,000 transferred to the bank shall be used to finance expansion and improvements to existing mainline interstates.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director